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SHALL AMERICANS OWN SHIPS?

SINCE the war, public attention has been drawn more or less to the marked decline in American shipping. It has been generally assumed and conceded that this was a matter for regret, and some discussion has arisen as to remedies—what to do, in fact, in order to bring it about that Americans should own ships. In these discussions, there has generally been a confusion apparent in regard to three things which ought to be very carefully distinguished from each other: ship-building, the carrying trade, and foreign commerce.

First. As to ship-building—Americans began to build ships, as an industry, within fifteen years after the settlement at Massachusetts Bay. They competed successfully as ship-builders, before the Revolution, with the Dutch and English, and they sold ships to be used by their rivals. Tonnage and navigation laws played an important part in the question of separation between the colonies and England, and the same laws took an important place in the formation of the Federal Constitution. One generation was required for the people of this country to get over the hard logical twist in the notion that laws which were pernicious when laid by Great Britain were beneficial when laid by ourselves. The vacillation which has marked the history of our laws about tonnage and navigation is such that it does not seem possible to trace the effects of legislation upon ship-building. In the decade 1850–1860 a very great decline in the number of ships built, especially for ocean traffic, began to be marked. Sails began to give way to steam, but the building of steam-ships required great advantages of every kind in the production of engines and other apparatus—that is, it required the presence, in a highly developed state, of a number of important auxiliary and coöperating industries. As iron was introduced into ship-building, of course the ship-building industry became dependent upon cheap supplies of

iron, as it had before been dependent on cheap supplies of wood. No doubt these changes in the conditions of the industry itself have been the chief cause of the decline in ship-building in this country, and legislation has only had incidental effects. It is a plain fact of history that the decline in ship-building began before the war and the high tariff. Of course the effects produced by changes in the conditions of an industry are inevitable. They are not to be avoided by any legislation. They are annoying because they break up acquired habits and established routine, and they involve loss in a change from one industry to another, but legislation can never do anything but cause that loss to fall on some other set of people instead of on those directly interested. Within the last few years it has become certain that steel is to be the material of ocean vessels—a new improvement which will not tend to bring the industry back to this country. On the whole, therefore, the decline in ship-building of the last twenty-five years seems to indicate that somebody else than ourselves must build the world's ships for the present. We have, by legislative devices, forced the production of a few ocean steamers, but these cases prove nothing to the contrary of our inference. If this nation has a hobby for owning some ships built in this country, and is willing to pay enough for the gratification of that hobby, no doubt it can secure the pleasure it seeks. A fisherman who has caught nothing sometimes buys fish at a fancy price. He saves himself mortification and gets a dinner, but the possession of the fish does not prove that he has profitably employed his time or that he has had sport.

Second. The carrying trade differs from ship-building as carting differs from wagon-building. Carrying is the industry of men who own ships. Their interests are more or less hostile to those of the ship-builders. Ship-owners want to buy new ships at low prices. They want the number of competing ships kept small. They want freights high. In all these points the interest of the ship-builder is the opposite. The ship-owner is indifferent where he gets his ships. He only wants them cheap and good. There is no sentiment in the matter any more than there is in the purchase of wagons by an express company, or carriages by a livery-stable keeper.

Third. Foreign commerce is still another thing. It consists in the exchange of the products of one country for those of

another. The merchant wants plenty of ships to carry all the goods at the lowest possible freights, but it is of no importance to him where the ships were built, or who owns and sails them.

A statement and definition of these three industries suffices to show what confusion must arise in any discussion in which they are not properly distinguished. It is plain that there are three different questions: (1) Can the farmer build a vehicle? (2) Can he get his crop carried to market? (3) Can he sell his crop? It is evident that a country which needs a protective tariff on iron and steel must give up all hopes of building ships for ocean traffic. For the country which, by the hypothesis, needs a protective tariff on iron and steel cannot produce those articles as cheaply as some other country. Its ships, however, must compete upon the ocean with those of the country which has cheap iron and steel. The former embody a larger capital than the latter, and they must be driven from the ocean. If, then, subsidies are given to protect the carrying trade, when prosecuted in ships built of protected iron, the loss is transferred from the ship-owners to the people who pay taxes on shore. These taxes, however, add to the cost of production of all things produced in the country, and thereby lessen the power of the country to compete in foreign commerce. This lessens the amount of goods to be carried both out and in, lowers freights, throws ships out of use, checks the building of ships, and the whole series of legislative aids and encouragements must be begun over again, with a repetition and intensification of the same results. As long as the system lasts it works down, and the statistics show, very naturally, that fewer and fewer ships are built in the country, and that less and less of the carrying trade is carried on under the national flag. In view of the three different and sometimes adverse interests which are connected by their relation to the shipping question, it is not strange that when the representatives of those interests meet to try to consider that question, there should simply be a scramble between them to see which should capture the convention. The last convention of this sort was captured by the owners of a lot of unsalable and unsailable old hulks, who had hit upon the brilliant idea of getting the nation to pay them an annual bounty for the use of their antiquated and dilapidated property. Strange to say, in a country which is charged with being too practical and hard-headed, this proposition received respectful

attention and consideration. It is also strange that our people should believe that taxing farmers to force the production of iron, taxing farmers again to force the production of ships out of protected iron, and taxing farmers again to pay subsidies to enable protected ships to do business, is a way to make this country rich.

So soon as the three different industries, or departments of business, which I have described are distinguished from each other, it is apparent that the fundamental one of the three is foreign commerce. If we have no commerce we need no carrying, and it would be absurd to build ships. If we have foreign commerce its magnitude determines the amount of demand there is for freight and for ships. The circle of taxation which I have described above, and which is obviously only a kind of circuit, described from and upon the farmer as a center and fulcrum to bear the weight of the whole, is necessarily and constantly vicious, because it presses down on the foreign commerce, which is the proper source of support for carrying and ship-building. On the other hand, the emancipation of foreign commerce from all trammels of every sort is the only means of increasing the natural, normal, and spontaneous support of carrying and ship-building, assuming that the carrying trade and ship-building are ends in themselves.

It is, however, no object at all for a country to have either ship-building industry, or carrying trade, or foreign commerce. Herein lies the fundamental fallacy of all the popular and Congressional discussions about ships and commerce. It is only important that the whole population should be engaged in those industries which will pay the best under the circumstances of the country. For the sake of exposing the true doctrine about the matter, we may suppose (what is not conceivable as a possible fact) that a country might not find greater profit in the exportation of any part of any of its products than in the home use of the same. If this could be true, and if it were realized, the proof of it would be that no foreign trade would exist. There would be no ground for regret since the people were satisfied and were better off than as if they had a foreign trade. Carrying trade and ship-building would not exist.

If a country had a foreign trade of any magnitude whatever, it would not be any object for that country to do its own carrying. The figures which show the amount paid by the people of

the United States to non-American ship-owners for freight, and the figures which show the small percentage of our foreign commerce which is carried under the American flag, in themselves prove nothing at all. The only question which is of importance is this: Are the people of the United States better employed now than they would be if engaged in owning and sailing ships? If they were under no restraints or interferences, that question also would answer itself. If Americans owned no ships and sailed no ships, but hired the people of other countries to do their ocean transportation for them, it would simply prove that Americans had some better employment for their capital and labor. They would get their transportation accomplished as cheaply as possible. That is all they care for, and it would be as foolish for any nation to insist on doing its own ocean transportation, devoting to this use capital and labor which might be otherwise more profitably employed, as it would be for a merchant to insist on doing his own carting, when some person engaged in carting offered him a contract on more advantageous terms than those on which he could do the work.

Furthermore, the people of a country which had little foreign commerce might find it very advantageous to prosecute the carrying trade. In history, the great trading nations have been those which had a small or poor territory at home. The Dutch were the great carriers of the seventeenth and eighteenth centuries, when the foreign commerce of their own territory was insignificant. The New Englanders of the last century and of the first quarter of this century became the carriers of commodities to and fro between all parts of the world, especially between our Middle and Southern States and the rest of the world. They took to the sea because their land did not furnish them with products which could remunerate their capital and labor so well as the carrying trade did. They won a high reputation for the merchant service, which was in their hands, and they earned fortunes by energy, enterprise, promptitude, and fidelity. The carrying trade is an industry like any other. It is neither more nor less desirable in itself than any other. In any natural and rational state of things it would be absurd to be writing essays about it. If any one thought he could make more profit in that business than in some other he would set about it. When the census was taken he would be found busy at that

business, would be so reported, and that would be the end of the matter as a phenomenon of public interest.

If a nation had foreign commerce, and some of its citizens found the carrying trade an advantageous employment for their labor and capital as compared with other possible industries in the country, it would not follow that some other citizens of that country ought to engage in ship-building. It is no object to build ships, but only to get such ships as are wanted, in the most advantageous manner. If a man should refuse to carry on a carting business unless he could make his own wagons, it would be such a reflection on his good sense that his business credit would be very low. If some Americans could buy and sail ships so as to make profits, what is the sense of saying that they shall not do it, because some other Americans cannot build ships at a profit? Only one answer to this question has ever been offered by anybody, and that is the prediction that, some day, if we go without ships long enough, we shall, by the mere process of going without, begin to get some,—a prediction for which the prophets give no guarantee, in addition to their personal authority, save the fact that we have fewer ships and worse ones every year.

I have said above that, if there were no restraints or interferences, we should simply notice whether any Americans took to the carrying trade or not, and should thence infer that they might or might not be better employed in some other industry. It is impossible, now, to say whether, if all restrictions were removed, the carrying trade or ship-building would be profitable industries in the United States or not. Any opinion given by anybody on that point is purely speculative. The present state of the iron and steel industries, and of the manufacture of engines and machinery, is so artificial that no one can judge what would be the possibilities of those industries under an entirely different state of things. It is, however, just because the present state of things prevents a free trial that it is indefensible. We are working in the dark and on speculation all the time. We have none of the natural and proper tests and guarantees for what we are doing. We are controlled by the predictions of prophets, the notions of dogmatizers, the crude errors of superficial students of history, the wrong-headed inferences of shallow observers, and the selfish machinations of interested persons. We can distinguish many forces which are at work on our ship-building and on our carrying trade, but none of them

are genuine or respectable. We are submitting to restraints and losses, and we have no guarantee whatever that we shall ever win any compensation. The teaching of economic science is distinctly that we never shall win any. We are expending capital without any measurement or adjustment of the *quid pro quo*. We are spending without calculation, and receiving something or nothing,—we do not know which. The wrong of all this is not in the assumption that we have not certain industries which we would have (for we cannot tell whether that is so or not), but the wrong is in the arbitrary interference which prevents us from having them, if any man wants to put his capital into them, and which prevents us from obtaining the proper facts on which to base a judgment about the state and relations of industries in the country.

Whenever the question of ships is raised, the clamor for subsidies and bounties is renewed, and we are told again that England has established her commerce by subsidies. It would be well if we could have an understanding, once for all, whether England's example is a good argument or not. As she has tried, at some time or other, nearly every conceivable economic folly, and has also made experiment of some sound economic principles, all disputants find facts to suit them in her history, and it needs only a certain easily acquired skill in misunderstanding things to fashion any required argument from the economic history of England. Some of our writers and speakers seem to be under a fascination which impels them to accept as authoritative examples the follies of English history, and to reject its sound lessons. In the present case, however, the matter stands somewhat differently. England is a great manufacturing town. It imports food and raw materials, and exports finished products. It has, therefore, a general and public interest in maintaining communication with all parts of the world. The analogy in our case is furnished by the subsidized railroads in our new States, or, perhaps even better, by the mail routes, which we sustain all over our territory, from general considerations of public advantage, although many such routes do not pay at all. Subsidies to ships for the mere sake of having ships, or ocean traffic, when there was no business occasion for the subsidized lines, would have no analogy with English subsidies.

If then the question is put, Shall Americans own ships? I do not see how any one can avoid the simple answer, Yes; if they

want them. Universally, if an American wants anything, he ought to have it, if he can get it, and if he hurts no one else by getting it. To enter on the question whether he is going to make it or buy it, and whether he is going to buy it of A or of B, is an impertinence. We boast a great deal of having a free country. Our orators shout themselves hoarse about liberty and freedom. Stop one of them, however, and ask him if he means free trade and free ships, and he will demur: No; not that. That will not do. He is in favor of freedom for himself and his friends in those respects in which they want liberty against other people, but he is not in favor of freedom for other people against restraints which are advantageous to him and his political allies. He is in favor of freedom for those who are being oppressed—by somebody else; not for those who are being oppressed by himself. I heard it asserted not long ago that we have no monopolies in this country, *because* it is a free country. It is not a free country, because there are more artificial monopolies in it than in any other country in the world. The popular notion that it is free rises from the fact that there are fewer natural monopolies in it than in any other great civilized country. It is necessary, however, to go to Turkey or Russia to find instances of legislative and administrative abuses to equal the existing laws and regulations of the United States about ships, the carrying trade, and foreign commerce. These laws have been brought to public attention again and again, but apparently with little effect in awakening popular attention, while the newspapers carry all over the country details about abuses in Ireland, Russia, and South Africa. We should stop bragging about a free country and about the enlightened power of the people in a democratic republic to correct abuses, while laws remain which treat the buying, importing, owning, and sailing of ships as pernicious, or, at least, doubtful and suspicious actions. I have no conception of a free man or a free country which can be satisfied if a citizen of that country may not own a ship, if he wants one, getting it in any legitimate manner in which he might acquire other property; or may not sail one, if he finds that a profitable industry suited to his taste and ability; or may not exchange the products of his labor with that person, whoever he may be, who offers the most advantageous terms.

W. G. SUMNER.